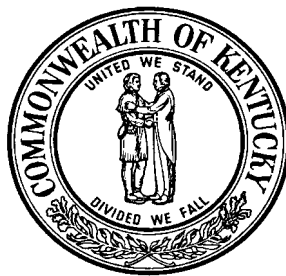


**REPORT OF THE AUDIT OF THE
PULASKI COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Pulaski County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PULASKI COUNTY FISCAL COURT

June 30, 2008

Peercy and Gray, PSC, has completed the audit of the Pulaski County Fiscal Court for fiscal year ended June 30, 2008. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pulaski County, Kentucky. We have issued a qualified opinion on Pulaski County's compliance with requirements applicable to its major federal awards programs.

The financial statements of the Somerset Pulaski County Development Foundation, Inc. (Foundation), a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Pulaski County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on this discretely presented component unit.

Financial Condition:

The fiscal court had total net assets of \$60,000,491 as of June 30, 2008. The fiscal court had unrestricted net assets of \$1,678,905 in its governmental activities as of June 30, 2008, with total net assets of \$59,806,688. In its business-type activities, total net cash and cash equivalents were \$123,889 with total net assets of \$193,803. The fiscal court had total debt principal as of June 30, 2008 of \$10,041,901 with \$6,205,771 due within the next year.

The fiscal court's discretely presented component unit (Foundation) had net assets of \$12,605,492 as of June 30, 2008. The discretely presented component unit had net cash and cash equivalents of \$876,456. The discretely presented component unit had total debt principal as of June 30, 2008 of \$1,404,949 with \$508,382 due within the next year.

Report Comments:

2008-1 Some Credit Card Statements Missing After An Open Records Request

2008-2 There Were No Timesheets To Support Weekend Work By Animal Control Officers

2008-3 The Fiscal Court Had Negative Bank Balances In Several Bank Accounts During Fiscal Year 2008

2008-4 The Fiscal Court Should Make Deposits In A Timely Manner

2008-5 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110

Deposits:

As of August 31, 2007, the fiscal court deposits were uninsured and uncollateralized by bank securities or bonds in the amount of \$112,437.

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PEERCY AND GRAY, PSC

Certified Public Accountants

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pulaski County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Somerset Pulaski County Development Foundation, Inc., a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Somerset Pulaski County Development Foundation, Inc. is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, management of Pulaski County Fiscal Court prepares the financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of Somerset Pulaski County Development Foundation, a discretely presented component unit of the Pulaski County Fiscal Court, are presented in accordance with the accrual basis of accounting and therefore, include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
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In our opinion, based upon our report and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Somerset Pulaski County Development Foundation, Inc.'s financial statements been prepared using the same basis of accounting as Pulaski County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Pulaski County, Kentucky, as of June 30, 2008, and the changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pulaski County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures for federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2009, on our consideration of Pulaski County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based upon the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comments:

2008-1 Some Credit Card Statements Missing After An Open Records Request

2008-2 There Were No Timesheets To Support Weekend Work By Animal Control Officers

2008-3 The Fiscal Court Had Negative Bank Balances In Several Bank Accounts During Fiscal Year 2008

To the People of Kentucky
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2008-4 The Fiscal Court Should Make Deposits In A Timely Manner

2008-5 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

November 2, 2009

PULASKI COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

Barty Bullock	County Judge/Executive
Kenneth Isaacs	Magistrate
Mike Strunk	Magistrate
Glenn Maxey	Magistrate
Tommy Barnett	Magistrate
Mike Wilson	Magistrate

Other Elected Officials:

William Thompson	County Attorney
Mike Harris	Jailer
Ralph Troxtell	County Clerk
George Flynn	Circuit Court Clerk
Todd Wood	Sheriff
T.W. Todd	Property Valuation Administrator
Richard New	Coroner

Appointed Personnel:

Arlene Phelps Young	County Treasurer
Clara McQueen	Occupational Tax Collector
Marrissa VanHook	Finance Officer

Pulaski County Fiscal Court

Barty Bullock, County Judge Executive
Kenny Isaacs, District 1 Magistrate
Mike Wilson, District 2 Magistrate

P.O. Box 712
Somerset, KY 42502
606-678-4853
1-800-247-2510
www.pulaskicountygovt.com

Tommy Barnett, District 3 Magistrate
Glenn Maxey, District 4 Magistrate
Mike Strunk, District 5 Magistrate

Management's Discussion and Analysis June 30, 2008

The financial management of Pulaski County, Kentucky offers readers of Pulaski County's financial statements this narrative overview and analysis of the financial activities of Pulaski County for the fiscal year ended June 30, 2008.

Financial Highlights

- Pulaski County had net assets of \$ 59,806,688 as of June 30, 2008 in its governmental activities. The fiscal court had unrestricted net assets of \$1,678,905 in its governmental activities as of June 30, 2008. In its business-type activities, cash and cash equivalents were \$123,889 with net assets of \$193,803. Total debt for Pulaski County Fiscal Court as of June 30, 2008 was \$ 10,041,901 with \$6,205,771 due within one year.
- At the close of the current fiscal year, Pulaski County governmental funds reported fund balances of \$5,224,542. Of this amount, \$1,678,905 is available for spending at the government's discretion with \$3,333,302 reserved for capital projects expenditures, and \$212,335 reserved for debt service payment.
- Pulaski County's total indebtedness at the close of fiscal year June 30, 2008 was \$10,041,901 of which \$3,836,130 is noncurrent debt (due after 1 year) and \$6,205,771 is current debt (to be paid within 1 year). Debt additions were \$185,000 and debt reductions were \$1,334,945 for a net decrease of \$1,149,945 during the year.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Pulaski County's basic financial statements. Pulaski County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Pulaski County's finances, in a manner similar to a private-sector business.



Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Overview of the Financial Statements (Continued)

Government-wide Financial Statements. (Continued)

The *Statement of Net Assets* presents information on all of Pulaski County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Pulaski County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Pulaski County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity – the operation of a jail canteen.

The government-wide financial statements include not only Pulaski County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Pulaski County has two such entities: the Public Properties Detention Center Corporation known as a blended component unit and the Somerset Pulaski County Development Foundation, Inc. known as a discretely presented component unit.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pulaski County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Pulaski County can be divided into two broad categories: *governmental funds* and *proprietary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental

Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Overview of the Financial Statements (Continued)

Governmental Funds (Continued)

fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Pulaski County maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Fire Fund, Industrial Development Fund and the Public Properties Corporation Fund, all of which are considered major funds by the County. The LGEA Fund, Grant Fund, Hazardous Material Fund, 911 Fund, Economic Development Fund, and Detention Center Corporation Bond Fund are considered non-major funds and are represented in a combined form.

Pulaski County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Government-wide Financial Analysis (Continued)

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Pulaski County's Statement of Net Assets Comparison

	Governmental Activities			Business-Type Activities		
	2007	2008	Difference	2007	2008	Difference
Assets						
Current and Other						
Assets	\$ 6,945,392	\$ 5,224,542	\$ (1,720,850)	\$ 145,101	\$ 123,889	\$ (21,212)
Net Capital Assets	65,695,463	64,624,047	(1,071,416)	81,506	69,914	(11,592)
Total Assets	72,640,855	69,848,589	(2,792,266)	226,607	193,803	(32,804)
Liabilities						
Current and Other						
Liabilities	1,317,227	6,205,771	4,888,544			
Noncurrent						
Liabilities	9,874,619	3,836,130	(6,038,489)			
Total Liabilities	11,191,846	10,041,901	(1,149,945)			
Net Assets						
Invested in Capital						
Assets, Net of						
Related Debt	54,503,617	54,582,146	78,529	81,506	69,914	(11,592)
Restricted for						
Capital Projects	4,798,064	3,333,302	(1,464,762)			
Debt Service	205,392	212,335	6,943			
Unrestricted	1,941,936	1,678,905	(263,031)	145,101	123,889	(21,212)
Total Net Assets	\$ 61,449,009	\$ 59,806,688	\$ (1,642,321)	\$ 226,607	\$ 193,803	\$ (32,804)

Changes in Net Assets.

Governmental Activities. Pulaski County's net assets decreased by \$1,642,321 in fiscal year 2008. Key elements of this are as follows:

- Current and Other Assets decreased by \$1,720,850 primarily due to increase in costs and construction of the new Judicial Center facility.
- Infrastructure and tangible assets decreased by \$1,071,416 because of depreciation of roads and bridges.
- Total Liabilities decreased by \$1,149,945 due to payments of debt.

Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Government-wide Financial Analysis (Continued)

Changes in Net Assets. (Continued)

Business-type Activities. Pulaski County's net assets decrease by \$32,804 in fiscal year 2008. Key elements of this are as follows:

- Current assets and cash decreased by \$21,212.
- Capital Assets decreased by \$11,592.

Table 2
Pulaski County's Statement of Activities Comparison
and Changes in Net Assets

Revenues:	Governmental Activities			Business-Type Activities		
	2007	2008	Difference	2007	2008	Difference
Program Revenues:						
Charges for Services	\$ 186,166	\$ 208,605	\$ 22,439	\$ 412,349	\$ 421,366	\$ 9,017
Operating Grants & Contributions	6,545,448	6,829,376	283,928			
Capital Grants & Contributions	2,012,497	1,161,153	(851,344)			
General Revenues:	14,934,495	15,333,599	399,104	16,360	17,085	725
Total Revenue	23,678,606	23,532,733	(145,873)	428,709	438,451	9,742
Expenses:						
General Government	7,693,381	8,217,049	523,668			
Protection to Persons and Property	5,378,436	6,050,424	671,988			
General Health and Sanitation	489,893	547,406	57,513			
Social Services	71,790	80,409	8,619			
Recreation and Culture	900,875	639,825	(261,050)			
Roads	9,246,733	7,671,028	(1,575,705)			
Airports	52,922	62,534	9,612			
Debt Service	388,693	288,322	(100,371)			
Capital Projects	3,922,741	1,618,057	(2,304,684)			
Jail Canteen				389,830	471,255	81,425
Total Expenses	28,145,464	25,175,054	(2,970,410)	389,830	471,255	81,425
Change In Net Assets	(4,466,858)	(1,642,321)	2,824,537	38,879	(32,804)	(71,683)
Net Assets - Beginning	65,915,867	61,449,009	(4,466,858)	187,728	226,607	38,879
Net Assets - Ending	61,449,009	59,806,688	(1,642,321)	226,607	193,803	(32,804)

**Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Financial Analysis of the County's Funds.

As noted earlier, Pulaski County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Pulaski County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 2008 fiscal year, the combined ending fund balance of County governmental funds was \$5,224,542. Approximately 33% (\$1,678,905) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. Of the remainder of the fund balance of \$212,335 is reserved for debt service, and \$3,333,302 is reserved for capital projects.

The County has six (6) major governmental funds. These are 1) General Fund, 2) Road Fund, 3) Jail Fund, 4) Fire Fund, 5) Industrial Development Fund and 6) Public Properties Corporation Fund. There are six (6) non-major funds. They are the LGEA Fund, 911 Fund, Economic Development Fund, Grant Fund, Hazardous Material Fund, and Detention Center Corporation Bond Fund.

1. The General Fund is the chief operating fund of Pulaski County. At the end of the June 30, 2008 fiscal year, unreserved fund balance of the General Fund was \$16,422. The county received \$8,642,857 in Occupational tax revenues. Of this amount the General fund received \$4,138,886. This accounts for approximately 47% of the general fund revenue. \$1,847,324 was received from real and personal property taxes and accounts for approximately 21% of the county's general fund revenues. \$247,204 is derived from various fees and charges for services. This amounts to 3%. Various other miscellaneous sources make up the remaining revenues. Pulaski County distributes 30% of the total net Occupation Tax revenues to the 5 incorporated cities within the county.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a fund balance of \$238,422 at June 30, 2008. The fiscal year 2008 expenditures for road projects were almost \$4.6 million. Total revenue for the Road Fund was \$4,548,032.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had an unreserved fund balance at June 30, 2008 of \$204,231. That is an increase in fund balance of \$12,451 over the previous fiscal year end. The Jail Fund budget was \$3,202,151. \$1,960,647 or 62% of its revenue is for housing prisoners. \$257,332 (or 8% of revenue) was derived from the Occupational Tax.

Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Financial Analysis of the County's Funds. (Continued)

4. The Local Government Economic Assistance Fund had a fund balance of \$373,616, a decrease of \$18,052 over the previous fiscal year end.
5. The Grant Fund is used to account for federal monies received. The county received \$936,153 in grants for various ongoing projects. In total, \$936,152 was expended for various projects. Fund balance as of June 30, 2008 is \$12.
6. The Fire Fund supports 17 Fire departments, Rescue Squad and Hazardous Material team from revenue derived from collection of a 5.5% insurance premium tax. Collections for 2008 were \$2,325,604, an increase of \$41,529 from the previous year. The year-end balance of the Fire Fund was \$541,351, an increase of \$301,023 from the previous year.
7. The Industrial Development Fund is restricted to the recruitment of new companies and jobs to the county. It is supported by 20% of the net Occupational Tax revenues. \$1,142,531 was received from those funds. The year-end balance of this fund was a \$638,974, an increase of \$384,268 from the previous year. This Fund pays for the majority of the expenses of the Somerset Pulaski County Development Foundation, Inc., a component unit of the County. This includes salaries, benefits, and debt service. In total, \$1,005,208 was expended for this Fund during the fiscal year.
8. The 911 Fund accounts for the operation of the County's emergency operations communications. The Fund had a fund balance of \$496,642 at the end of the June 30, 2008 fiscal year. It is supported by 13% of gross Occupational Tax Collections. Tax Revenue for 2008 was \$1,124,866.
9. The Economic Development Fund is comprised of recaptured grant funds and had a fund balance of \$118,931 cash balance with notes receivable of \$175,136. This is an increase of \$22,849 from the previous year. Those funds were used as matching funds to build a building owned by the county for the use of new industries relocating to Pulaski County.
10. The Hazardous Material Fund is used as a pass through account for Federal Homeland Security funds. Pulaski County is the host county for the surrounding 10 counties. They are Wayne, Mercer, Boyle, Lincoln, Casey, Adair, Russell, Cumberland, and Clinton. Pulaski County receives the funds, then, working with a board made up of representatives of the other counties, purchases and distributes equipment around the area according to a master plan.
11. The Public Properties Detention Center Corporation Bond Fund maintains a fund balance of \$212,335 that is restricted for debt reduction on the Detention Center Bonds. Bond payments are transferred from the Jail Fund and then paid out of this fund. Outstanding debt as of June 30, 2008 on the Detention Center Bonds is \$145,000 and that debt will be retired in 2009.
12. The Public Properties Corporation Judicial Center Fund accounts for the funding and the construction of the new Judicial Center facility for lease to the Administrative Office of the Courts.

**Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Financial Analysis of the County's Funds. (Continued)

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Pulaski County has one (1) enterprise-type proprietary fund, the Jail Canteen Fund. The Jail Canteen Fund's unrestricted net assets at the end of the June 30, 2008 fiscal year amounted to \$123,889 and total assets were \$193,803.

General Fund Budgetary Highlights.

The County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$1,189,000. Budget amendments were made to various expenditures due to grants awarded during the fiscal year, surplus cash carried forward, and an increase in actual Occupational Tax collections and Insurance premiums as opposed to projected collections.

Actual revenues were \$558,595 more than budgeted by the Fiscal Court. Expenditures were \$876,152 less than budgeted.

Capital Assets and Debt Administration.

Capital Assets. Pulaski County's investment in capital assets for its government and business type activities as of June 30, 2008, amounts to \$64,624,047 (net of accumulated depreciation). This is a decrease of \$1,071,416 from the previous year, mostly due to depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements to land other than buildings, machinery and equipment, vehicles, and infrastructure. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2008 fiscal year included the \$2.37 million purchase of land and \$498,417 in construction in progress for the new Judicial Center, \$191,000 in construction of the High Growth Training Center, purchase of fire and road equipment, and completing \$1.57 million of road resurfacing and repairs.

Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Financial Analysis of the County's Funds. (Continued)

Capital Assets and Debt Administration. (Continued)

Additional information on the County's capital assets can be found in Note 5 of this report.

Table 3
Pulaski County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Assets						
Infrastructure	\$ 46,168,255	\$ 42,282,604	\$	\$	\$ 46,168,255	\$ 42,282,604
Land	1,215,006	3,586,299			1,215,006	3,586,299
Construction in Progress	78,483	965,722			78,483	965,722
Buildings and Improvements	8,410,736	8,151,337			8,410,736	8,151,337
Other Equipment	1,725,899	1,658,102			1,725,899	1,658,102
Vehicles and Equipment	8,097,084	7,979,983	81,506	69,914	8,178,590	8,049,897
Total Net Capital Assets	\$ 65,695,463	\$ 64,624,047	\$ 81,506	\$ 69,914	\$ 65,776,969	\$ 64,693,961

Long-Term Debt. At the end of the fiscal year 2008, Pulaski County had total bonded debt outstanding of \$145,000. These are revenue bonds providing for debt service requirements for the purpose of financing and equipping the Pulaski County Detention Center. These bonds will retire in 2009.

At the end of the fiscal year 2008, Pulaski County had a bond anticipation note balance of \$4,950,000. This is in anticipation of issuing bonds for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts.

At the end of fiscal year 2008, Pulaski County had total outstanding lease debt of \$4,946,901. The county has a 10-year lease with the Kentucky Association of Counties to construct two new fire stations. Total outstanding debt for that lease is \$312,710 and will be retired in 2011. The County has a two 10-year road-resurfacing project leases with the Kentucky Association of Counties. Total outstanding debt for these leases is \$3,192,909 and will be both retired in 2014. The County has one 5-year road-resurfacing project lease with a remaining balance of \$945,000. The remaining of the outstanding lease debt consists of, \$174,000 is on various pieces of road maintenance equipment; \$75,000 for a new CAD system for 9-1-1 Dispatch center, and \$80,000 on new computer equipment and a vehicle for the sheriff. There is one new debt for the purchase of road equipment with a balance of \$167,283. Additional information on the County's debt can be found in Note 7 of this report.

**Pulaski County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2008 fiscal year budget:

- The 2008 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

Requests For Information

This financial report is designed to provide a general overview of Pulaski County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Pulaski County Treasurer, P. O. Box 712 (100 North Main Street), Somerset, KY 42502.

PULASKI COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

PULASKI COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Somerset Pulaski County Dev. Foundation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,049,406	\$ 123,889	\$ 5,173,295	\$ 876,456
Notes Receivable	175,136		175,136	1,997,500
Accounts Receivable				367,325
Total Current Assets	5,224,542	123,889	5,348,431	3,241,281
Capital Assets - Net of Accumulated Depreciation				
Construction in Progress	965,722		965,722	
Land and Land Improvements	3,586,299		3,586,299	
Buildings	8,151,337		8,151,337	
Other Equipment	1,658,102		1,658,102	6,182,122
Vehicles and Equipment	7,979,983	69,914	8,049,897	
Infrastructure	42,282,604		42,282,604	
Property for Sale or Lease - Net				5,076,593
Total Noncurrent Assets	64,624,047	69,914	64,693,961	11,258,715
Total Assets	69,848,589	193,803	70,042,392	14,499,996
LIABILITIES				
Current Liabilities:				
Bonds Payable	145,000		145,000	
Bond Anticipation Note	4,950,000		4,950,000	
Accounts Payable				489,555
Note Payable				522,265
Financing Obligations Payable	1,110,771		1,110,771	
Total Current Liabilities	6,205,771		6,205,771	1,011,820
Noncurrent Liabilities:				
Note Payable				882,684
Financing Obligations Payable	3,836,130		3,836,130	
Total Noncurrent Liabilities	3,836,130		3,836,130	882,684
Total Liabilities	10,041,901		10,041,901	1,894,504
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	54,582,146	69,914	54,652,060	11,258,715
Restricted For:				
Capital Projects	3,333,302		3,333,302	232,192
Debt Service	212,335		212,335	
Unrestricted	1,678,905	123,889	1,802,794	1,114,585
Total Net Assets	\$ 59,806,688	\$ 193,803	\$ 60,000,491	\$ 12,605,492

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 8,217,049	\$ 94,946	\$ 818,458	\$
Protection to Persons and Property	6,022,187	113,659	2,841,019	
General Health and Sanitation	547,406			
Social Services	80,409			
Recreation and Culture	639,825			936,153
Roads	7,558,395		3,169,899	
Airports	62,534			
Debt Service	438,484			
Capital Projects	1,608,765			225,000
Total Governmental Activities	<u>25,175,054</u>	<u>208,605</u>	<u>6,829,376</u>	<u>1,161,153</u>
Business-type Activities:				
Jail Canteen	471,255	421,366		
Total Business-type Activities	<u>471,255</u>	<u>421,366</u>		
Total Primary Government	<u>\$ 25,646,309</u>	<u>\$ 629,971</u>	<u>\$ 6,829,376</u>	<u>\$ 1,161,153</u>
Component Unit:				
Somerset Pulaski County Development Foundation	<u>\$ 433,556</u>	<u>\$ 0</u>	<u>\$ 1,067,590</u>	<u>\$ 0</u>

General Revenues:

Taxes:

Real Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Fire Insurance Premium Taxes
Other Taxes
Excess Fees
Commission and Royalties
Reimbursements
Miscellaneous Revenues
Rentals
Interest

Total General Revenues
Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			Component
Primary Government			Unit
Governmental Activities	Business-Type Activities	Totals	Somerset Pulaski County Dev. Foundation
\$ (7,303,645)	\$	\$ (7,303,645)	\$
(3,067,509)		(3,067,509)	
(547,406)		(547,406)	
(80,409)		(80,409)	
296,328		296,328	
(4,388,496)		(4,388,496)	
(62,534)		(62,534)	
(438,484)		(438,484)	
(1,383,765)		(1,383,765)	
(16,975,920)		(16,975,920)	
	(49,889)	(49,889)	
	(49,889)	(49,889)	
(16,975,920)	(49,889)	(17,025,809)	
			\$ 634,034
1,568,022		1,568,022	
279,302		279,302	
8,642,857		8,642,857	
2,325,605		2,325,605	
492,164		492,164	
895,079		895,079	
125,047		125,047	
251,038		251,038	
420,585	12,946	433,531	479,000
			315,520
333,900	4,139	338,039	8,385
15,333,599	17,085	15,350,684	802,905
(1,642,321)	(32,804)	(1,675,125)	1,436,939
61,449,009	226,607	61,675,616	11,168,553
\$ 59,806,688	\$ 193,803	\$ 60,000,491	\$ 12,605,492

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Judicial Center Fund
ASSETS				
Cash and Cash Equivalents	\$ 16,422	\$ 238,422	\$ 204,231	\$ 2,152,977
Notes Receivables				
Total Assets	<u>16,422</u>	<u>238,422</u>	<u>204,231</u>	<u>2,152,977</u>
FUND BALANCES				
Reserved for:				
Capital Projects				2,152,977
Bond Payments				
Unreserved:				
General Fund	16,422			
Special Revenue Funds		238,422	204,231	
Total Fund Balances	<u>\$ 16,422</u>	<u>\$ 238,422</u>	<u>\$ 204,231</u>	<u>\$ 2,152,977</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2008
(Continued)

Industrial Development Fund	Fire Fund	Non- Major Funds	Total Governmental Funds
\$ 638,974	\$ 541,351	\$ 1,257,029	\$ 5,049,406
		175,136	175,136
<u>638,974</u>	<u>541,351</u>	<u>1,432,165</u>	<u>5,224,542</u>
638,974	541,351	212,335	3,333,302
			212,335
			16,422
		<u>1,219,830</u>	<u>1,662,483</u>
<u>\$ 638,974</u>	<u>\$ 541,351</u>	<u>\$ 1,432,165</u>	<u>\$ 5,224,542</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 5,224,542
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	209,335,469
Accumulated Depreciation	(144,711,422)
Long Term Debt is Not Due And Payable in The Current Period And, Therefore, Is Not Reported In The Funds.	
Bond Anticipation Note	(4,950,000)
Financing Obligations	(4,946,901)
Bonded Debt	<u>(145,000)</u>
Net Assets Of Governmental Activities	<u>\$ 59,806,688</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Judicial Center Fund
REVENUES				
Taxes	\$ 6,348,849	\$ 1,713,732	\$ 247,851	
In Lieu Tax Payments	347,412	70,985		
Excess Fees	895,079			
Licenses and Permits	152,258			
Intergovernmental	818,458	2,631,297	2,578,061	
Charges for Services	94,946		89,286	
Miscellaneous	116,445	125,086	252,281	
Interest	28,730	6,932	10,313	220,610
Total Revenues	<u>8,802,177</u>	<u>4,548,032</u>	<u>3,177,792</u>	<u>220,610</u>
EXPENDITURES				
General Government	2,296,230			
Protection to Persons and Property	1,168,526		2,150,654	
General Health and Sanitation	480,492			
Social Services	2,724			
Recreation and Culture	460,162			
Roads		1,933,241		
Airports				
Debt Service	44,542	1,064,420	32,549	190,575
Capital Projects	2,476,042	1,620,126	33,940	488,418
Administration	4,258,041	35,492	734,281	
Total Expenditures	<u>11,186,759</u>	<u>4,653,279</u>	<u>2,951,424</u>	<u>678,993</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,384,582)</u>	<u>(105,247)</u>	<u>226,368</u>	<u>(458,383)</u>
Other Financing Sources (Uses)				
Debt Issuance		185,000		
Transfers From Other Funds	3,397,376	200,000	240,000	185,672
Transfers to Other Funds	(1,195,672)	(200,000)	(274,588)	(2,372,376)
Total Other Financing Sources (Uses)	<u>2,201,704</u>	<u>185,000</u>	<u>(34,588)</u>	<u>(2,186,704)</u>
Net Change in Fund Balances	(182,878)	79,753	191,780	(2,645,087)
Fund Balances - Beginning (Restated)	199,300	158,669	12,451	4,798,064
Fund Balances - Ending	<u>\$ 16,422</u>	<u>\$ 238,422</u>	<u>\$ 204,231</u>	<u>\$ 2,152,977</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Industrial Development Fund	Fire Fund	Non- Major Funds	Total Governmental Funds
\$ 1,142,531	\$ 2,325,604	\$ 1,083,775	\$ 12,862,342
			418,397
			895,079
			152,258
225,000	10,117	1,727,596	7,990,529
	24,373		208,605
1,973	105,202	70,636	671,623
19,972	20,619	26,724	333,900
<u>1,389,476</u>	<u>2,485,915</u>	<u>2,908,731</u>	<u>23,532,733</u>
279,615		9,000	2,584,845
	1,113,979	912,658	5,345,817
		5,000	485,492
		77,685	80,409
		175,982	636,144
			1,933,241
		62,534	62,534
9,292	247,896	184,155	1,773,429
661,773	627,869	1,187,252	7,095,420
54,528	60,148	298,762	5,441,252
<u>1,005,208</u>	<u>2,049,892</u>	<u>2,913,028</u>	<u>25,438,583</u>
384,268	436,023	(4,297)	(1,905,850)
			185,000
	200,000	724,588	4,947,636
	(335,000)	(570,000)	(4,947,636)
	(135,000)	154,588	185,000
384,268	301,023	150,291	(1,720,850)
254,706	240,328	1,281,874	6,945,392
<u>\$ 638,974</u>	<u>\$ 541,351</u>	<u>\$ 1,432,165</u>	<u>\$ 5,224,542</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

PULASKI COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (1,720,850)
--	----------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	5,753,794
Depreciation Expense	(6,558,071)
Assets disposed of, net book value	(267,139)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. While lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets.

Financing Obligations Proceeds	(185,000)
Payment of Detention Center Refunding Bonds	140,000
Payment For Financing Obligations	1,194,945

Change in Net Assets of Governmental Activities	\$ (1,642,321)
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The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

PULASKI COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

	Business-Type Activities- Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 123,889
Total Current Assets	<u>123,889</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	128,112
Less Accumulated depreciation	<u>(58,198)</u>
Total Noncurrent Assets	<u>69,914</u>
Total Assets	<u>193,803</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	69,914
Unrestricted	<u>123,889</u>
Total Net Assets	<u>\$ 193,803</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities- Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 419,527
Other Receipts	1,839
Total Operating Revenues	<u>421,366</u>
Operating Expenses	
Cost of Sales	203,165
Educational, Recreational, and Inmate Benefit	145,670
Personnel Costs	24,432
Sales Tax	10,712
Miscellaneous	6,928
Office Supplies	5,703
Depreciation	11,592
Total Operating Expenses	<u>408,202</u>
Operating Income	<u>13,164</u>
Nonoperating Revenues (Expenses)	
Interest Income	4,139
Inmate Pay From State	12,946
Inmate Refunds	<u>(63,053)</u>
Total Nonoperating Revenues (Expenses)	<u>(45,968)</u>
Change In Net Assets	(32,804)
Total Net Assets - Beginning	<u>226,607</u>
Total Net Assets - Ending	<u><u>\$ 193,803</u></u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

PULASKI COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	<u>Business-Type Activities- Enterprise Fund</u>	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities		
Receipts From Customers	\$ 419,527	
Other Receipts	1,839	
Payments to Suppliers	(354,538)	
Payments to Employees	(24,432)	
Payments to Others	(17,640)	
Net Cash Provided By Operating Activities	<u>24,756</u>	
Cash Flows From Noncapital Financing Activities		
Inmate Pay From State	12,946	
Inmate Refunds on Accounts	(63,053)	
Net Cash (Used) By Noncapital Financing Activities	<u>(50,107)</u>	
Cash Flows From Investing Activities		
Interest Earned	4,139	
Net Cash Provided By Investing Activities	<u>4,139</u>	
Net Increase in Cash and Cash Equivalents	(21,212)	
Cash and Cash Equivalents - July 1, 2007	<u>145,101</u>	
Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 123,889</u></u>	

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

	Business-Type Activities- Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ 13,164
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	<u>11,592</u>
Net Cash Provided By Operating Activities	<u><u>\$ 24,756</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The primary government presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, the financial statements of the Somerset Pulaski County Development Foundation, Inc., a discretely presented component unit, is prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. The financial information of this discretely presented component unit is included in the government-wide Statement of Net Assets and Statement of Activities.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Pulaski County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Pulaski County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Detention Center Corporation Bond Fund.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the data for the Somerset Pulaski County Development Foundation, Inc. This is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Somerset Pulaski County Development Foundation, Inc.

The Pulaski County Fiscal Court (Fiscal Court) does not appoint a voting majority of the Somerset Pulaski County Development Foundation's, Inc. (Foundation) governing board. However, the Foundation is governed by a board of directors which includes the County Judge/Executive and is a legally separate organization set up exclusively for the development and enhancement of the industrial and commercial welfare of Somerset, Pulaski County, and surrounding areas. The Pulaski County Fiscal Court's occupational tax ordinance states that a percentage of the collections are to be deposited into the County's Industrial Development Fund. In this fund the Fiscal Court retains the tax revenues collected, approves and pays the expenditures of the Foundation including salaries and debt. The debt outstanding is reported in the financial statements and related notes of the Foundation. The Fiscal Court also purchases land and constructs buildings for industrial development by obtaining grants or using the occupational tax revenues then deeds over the land and buildings to the Foundation when completed. These capital assets are reported in the financial statements and related notes of the Foundation. Exclusion of this entity as a component unit of Pulaski County would cause the county's financial statements to be misleading or incomplete. The financial information for the Foundation is presented discretely within Pulaski County's financial statements.

Audited financial statements for the Somerset Pulaski County Development Foundation, Inc. a discretely presented component unit, may be requested by contacting the Somerset Pulaski County Development Foundation, Inc., P.O. Box 450, Somerset, Kentucky, 42502.

C. Pulaski County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Pulaski County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Pulaski County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Fire Fund - The primary purpose of this fund is to account for fire protection expenses, purchases of buildings, and fire equipment of the county including annual allotment payments and expenses of the various county fire departments and the expenses of the Hal Rogers Fire Training Center. The primary source of revenue for this fund is fire insurance premium tax.

Industrial Development Fund - The primary purpose of this fund is to account for expenses used to promote economic development in the county. The primary source of revenue for this fund is occupational taxes collected by the county.

Public Properties Corporation Judicial Center Fund - The primary purpose of this fund is to account for the financial resources to be used for the acquisition and construction of the judicial center.

The government also has the following non-major funds: Local Government Economic Assistance Fund, 911 Fund, Economic Development Fund, Grant Fund, Hazardous Material Fund, and Detention Center Corporation Bond Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Fire Fund, Industrial Development Fund, 911 Fund, Economic Development Fund, Grant Fund, and the Hazardous Material Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Detention Center Corporation Bond Fund maintained by the Pulaski County Public Properties Corporation is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Capital Projects Fund:

The Public Properties Corporation Judicial Center Fund is presented as a capital projects fund. The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating Expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Discretely Presented Component Unit

The financial statements present the following major discretely presented component unit: Somerset Pulaski County Development Foundation, Inc.

This component unit is presented on the Statement of Net Assets and the Statement of Activities in a separate column labeled as "Component Unit" to emphasize this organizations' separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	3-25
Infrastructure	25,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances (if any) are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Detention Center Corporation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the Jail Fund to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from this fund.

The Somerset Pulaski County Development Foundation, Inc. funds are not budgeted by the County Treasurer. The State Local Finance Officer does not require the Fiscal Court to budget these funds.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Pulaski County Fiscal Court:

Southeastern Water District
 Pulaski County Western Water District
 Pulaski County Public Library Special District
 Pulaski County Extension District Board
 Pulaski County Solid Waste Board.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations, Joint Venture, and Jointly Governed Organizations (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, there were no joint ventures of the Pulaski County Fiscal Court.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, there were no jointly governed organizations of the Pulaski County Fiscal Court.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposit may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of August 31, 2007, \$112,437 of the County's deposits were exposed to custodial credit risk as follows:

- Uninsured and Uncollateralized \$112,437

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Notes Receivable

Primary Government:

In April 1993, Pulaski County loaned Somerset Food Services the proceeds from a Community Development Block Grant in the amount of \$317,532 plus an additional \$200,000. This loan was for a period of twenty years at 3 percent interest, with 20 annual payments of principal and interest in the amount of \$21,307 for the first five years and \$38,061 for the remaining 15 years. As of June 30, 2008, principal balance due was \$175,136.

Notes receivable, as of year-end for the primary government's are as follows:

Primary Government:	<u>Governmental Activities</u>		
	Principal Amount Borrowed	Interest Rate	Principal Amount Receivable June 30, 2008
<u>Company</u>			
Somerset Food Services	\$ 517,532	3%	\$ 175,136
Totals	<u>\$ 517,532</u>		<u>\$ 175,136</u>

Discretely Presented Component Unit:

Notes receivable at June 30, 2008 of the Somerset Pulaski County Development Foundation, Inc. is made up of the following notes due from industries at varying interest rates:

<u>Company</u>	<u>Governmental Activities</u>
	Principal Amount Receivable June 30, 2008
Hendrickson USA, LLC	360,000
Hartmann Properties	1,050,000
Hartmann Properties	384,000
Valley Oak Tenants Association	68,500
General Electric	150,000
Less: Allowance for Uncollectibles	(15,000)
Totals	<u>\$ 1,997,500</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Notes Receivable (Continued)

Discretely Presented Component Unit (Continued):

1. The General Electric (GE) note is a ten-year term note that matured July 1, 2002. For each year that GE maintains a manufacturing facility at its current location, employing a minimum of an average of 185 employees per year, the note payment due from GE for that year is deferred without penalty or additional interest. At the conclusion of the ten-year term, any unpaid and/or previously deferred amounts due under the agreement will be forgiven provided GE has complied with all terms of the agreement. As of June 30, 2002, GE had failed to meet the average 185 employees' requirement for three years in a row (June 30, 2000-June 30, 2002).

Due to GE's past performance and the company's promises of future expansion, the board voted to extend GE's contract through July 1, 2007. GE did not meet the requirements for those years. Due to the current economic conditions the board did not take any official action towards GE's failure to meet the aforementioned requirements during the fiscal year ended June 30, 2008.

2. The note to Hendrickson USA, LLC, which is a loan for a portion of the purchase price of the speculation building, is to be reclassified as a grant as the company creates a minimum of 120 jobs on or before December 31, 2009 and maintains those jobs for ten years based upon a formula agreed to by the Foundation and the Company. If certain conditions are not met during the period of this note, interest at 5% and payments may become due or the note may be called for no employment or failure to make any payment due timely.
3. The note to valley Oak Tenants Association is a short-term loan to assist the Association in various projects in relation to the Valley Oak property.
4. The note to A.L. Adams Group, Inc. which is a loan for the purchase price of the speculation building and 23.154 acres, will be reclassified as a grant, if the company creates up to 200 full-time jobs within a five-year period, commencing the 18th day of July, 2004 based upon a formula agreed to by the Foundation and the Company. After June 30, 2006, the Company ceased operations and defaulted on this loan. During the fiscal year ended June 30, 2008 the speculative building was sold at master commissioner's sale and repurchased by the Foundation.
5. The note to TDE Group, Inc., which is a loan for relocation will be reclassified as a grant, if the company creates up to 50 full-time jobs within a five-year period, commencing the 18th day of July, 2004 based upon a formula agreed to by the Foundation and the Company. After June 30, 2006, the Company ceased operations and defaulted on this loan. During the fiscal year ended June 30, 2008 the speculative building was sold at master commissioner's sale and repurchased by the Foundation.
6. The note to Hartmann Properties, LLC which is a loan for the purchase price of a speculative building is to be reclassified as a grant as the company creates over 125 jobs based on a formula agreed to by the Foundation and the Company. If certain conditions are not met during the period of this note, interest at the New York prime rate and payments may become due or the note may be called for no employment or failure to make any payment due timely.
7. The note to Hartmann Properties, LLC which is a loan for the purchase price of a speculative building is to be reclassified as a grant as the company creates over 50 jobs on or before December 31, 2008 based on a formula agreed to by the Foundation and the Company. If certain conditions are not met during the period of this note, interest at the New York prime rate and payments may become due or the note may be called for no employment or failure to make any payment due timely.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Operating Leases

The fiscal court entered into various lease agreements for copiers, mailing scales, and 911 equipment to be used by various county departments. The total expense related to these leases was \$38,026 for the fiscal year ended June 30, 2008. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Amount</u>
2009	\$ 12,835
2010	9,268
2011	4,571
2012	1,910
Total Minimum Lease Payments	<u>\$ 28,584</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Primary Government</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<u>Primary Government:</u>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,215,006	\$ 2,371,293	\$	\$ 3,586,299
Construction In Progress	78,483	887,239		965,722
Total Capital Assets Not Being Depreciated	<u>1,293,489</u>	<u>3,258,532</u>		<u>4,552,021</u>
Capital Assets, Being Depreciated:				
Buildings	13,291,472	36,072		13,327,544
Other Equipment	3,087,473	118,908		3,206,381
Vehicles and Equipment	12,272,838	765,680	(596,600)	12,441,918
Infrastructure	<u>174,233,003</u>	<u>1,574,602</u>		<u>175,807,605</u>
Total Capital Assets Being Depreciated	<u>202,884,786</u>	<u>2,495,262</u>	<u>(596,600)</u>	<u>204,783,448</u>
Less Accumulated Depreciation For:				
Buildings	(4,880,736)	(295,471)		(5,176,207)
Other Equipment	(1,361,574)	(186,705)		(1,548,279)
Vehicles and Equipment	(4,175,754)	(615,642)	329,461	(4,461,935)
Infrastructure	<u>(128,064,748)</u>	<u>(5,460,253)</u>		<u>(133,525,001)</u>
Total Accumulated Depreciation	<u>(138,482,812)</u>	<u>(6,558,071)</u>	<u>329,461</u>	<u>(144,711,422)</u>
Total Capital Assets, Being Depreciated, Net	<u>64,401,974</u>	<u>(4,062,809)</u>	<u>(267,139)</u>	<u>60,072,026</u>
Government Activities Capital Assets, Net	<u>\$ 65,695,463</u>	<u>\$ (804,277)</u>	<u>\$ (267,139)</u>	<u>\$ 64,624,047</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Primary Government:</u>				
<u>Business-type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	128,112			128,112
Total Capital Assets Being Depreciated	128,112			128,112
Less Accumulated Depreciation For:				
Vehicles and Equipment	(46,606)	(11,592)		(58,198)
Total Accumulated Depreciation	(46,606)	(11,592)		(58,198)
Total Capital Assets, Being Depreciated, Net	81,506	(11,592)		69,914
Business-type Activities Capital Assets, Net	\$ 81,506	\$ (11,592)	\$ 0	\$ 69,914

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 190,952
Protection to Persons and Property	676,370
General Health and Sanitation	61,914
Recreation and Culture	3,681
Roads, Including Depreciation of General Infrastructure Assets	<u>5,625,154</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,558,071</u>
<u>Business-type Activities</u>	
Jail Canteen	<u>\$ 11,592</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 11,592</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Capital Assets (Continued)

Capital asset activity for the primary government's discretely presented component unit for the year ended June 30, 2008 for Property and Equipment.

<u>Property and Equipment</u>	Discretely Presented Component Unit Somerset-Pulaski County Development Foundation, Inc.			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Development Costs	\$ 1,281,043	\$ 307,716	\$	\$ 1,588,759
Total Capital Assets Not Being Depreciated	1,281,043	307,716		1,588,759
Capital Assets, Being Depreciated:				
Leasehold Improvements	3,493			3,493
Building		4,659,873		4,659,873
Equipment	53,055	4,638		57,693
Total Capital Assets Being Depreciated	56,548	4,664,511		4,721,059
Less Accumulated Depreciation For:				
Leasehold Improvements and Equipment	(49,602)	(78,094)		(127,696)
Total Accumulated Depreciation	(49,602)	(78,094)		(127,696)
Total Capital Assets, Being Depreciated, Net	6,946	4,586,417		4,593,363
Capital Assets, Property and Equipment, Net	\$ 1,287,989	\$ 4,894,133	\$ 0	\$ 6,182,122

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Somerset-Pulaski County Development Foundation, Inc.	\$ 78,094
Total Depreciation Expense - Component Unit	\$ 78,094

Capital asset activity for the primary government's discretely presented component unit for the year ended June 30, 2008 for property held for sale or lease.

<u>Property Held for Sale or Lease</u>	Discretely Presented Component Unit Somerset-Pulaski County Development Foundation, Inc.			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Buildings and Land	\$ 8,782,385	\$ 2,795,312	\$ (6,501,104)	\$ 5,076,593
Total Capital Assets Not Being Depreciated	8,782,385	2,795,312	(6,501,104)	5,076,593
Capital Assets, Property Held for Sale or Lease	\$ 8,782,385	\$ 2,795,312	\$ (6,501,104)	\$ 5,076,593

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt

Primary Government:

A. 1996 Revenue Bonds

On October 1, 1996, the Pulaski County Public Properties Corporation issued \$1,415,000 of Revenue Bonds for the purpose of defeasement of the 1988 Bond Series Issue. The 1988 bonds were originally issued to finance and equip the Pulaski County Detention Center. The bonds require two semiannual interest payments be made on January 1 and July 1 of each year commencing January 1, 1997. One principal payment will be due on July 1 of each year, beginning January 1, 1997. Bonds will mature July 1, 2008. As of June 30, 2008, the principal amount outstanding was \$145,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 145,000	\$ 3,553
	<u>\$ 145,000</u>	<u>\$ 3,553</u>

B. Fire Project

On November 29, 2000, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of fire equipment, land, and the construction of a three bay fire station. The principal was \$1,100,000 at 4.18% interest rate for a period of 10 years, interest and principal paid monthly. The principal outstanding as of June 30, 2008, was \$312,710. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 125,294	\$ 12,652
2010	131,050	6,324
2011	<u>56,366</u>	<u>700</u>
	<u>\$ 312,710</u>	<u>\$ 19,676</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued)

C. Road Improvements

On January 13, 2004, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$4,500,000 at 3.380 percent interest for a period of 10 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2008, was \$2,874,587. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 440,736	\$ 108,360
2010	455,413	90,308
2011	470,578	71,470
2012	486,248	52,076
2013	502,440	31,843
2014	519,172	6,735
	<u>\$ 2,874,587</u>	<u>\$ 360,792</u>

D. Road Improvements

On March 26, 2004, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$500,000 at 3.15 percent interest for a period of 10 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2008, was \$318,322. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 49,039	\$ 11,991
2010	50,579	10,101
2011	52,167	8,147
2012	53,806	6,140
2013	55,495	4,066
2014	57,236	1,660
	<u>\$ 318,322</u>	<u>\$ 42,105</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued):

E. Road Grader

On March 2, 2005, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a road grader. The principal was \$108,000, at 3.75 percent interest for a period of 52 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2008, was \$45,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 22,000	\$ 1,034
2010	23,000	81
	<u>\$ 45,000</u>	<u>\$ 1,115</u>

F. Tractor/Mower

On May 5, 2005, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a tractor/mower. The principal was \$304,000, at 3.32 percent interest for a period of 55 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2008, was \$129,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 65,000	\$ 4,268
2010	64,000	1,594
	<u>\$ 129,000</u>	<u>\$ 5,862</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued):

G. CAD 911 System

On July 13, 2005 the Pulaski County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an upgraded dispatch system for the 911 center. The principal was \$130,000, at 3.75 percent interest for a period of 59 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2008, was \$75,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 25,000	\$ 2,843
2010	25,000	1,591
2011	25,000	282
	<u>\$ 75,000</u>	<u>\$ 4,716</u>

H. Vehicles/Computer Equipment

On August 18, 2005 the Pulaski County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of two vehicles for the Sheriff's Department and an upgrade of the county finance office's computer system. The principal was \$190,000, at 3.51 percent interest for a period of 53 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2008, was \$80,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 40,000	\$ 2,960
2010	40,000	1,150
	<u>\$ 80,000</u>	<u>\$ 4,110</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued):

I. First Mortgage Revenue Bond Anticipation Note, Series 2007

In October 2006, the Pulaski County Kentucky, Public Properties Corporation issued \$4,950,000 First Mortgage Revenue Bond Anticipation Notes, Series 2008 in anticipation of issuing bonds for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. The bond anticipation notes principal is due at maturity on October 1, 2008. Semi-annual interest payments at a rate of 3.85 % are due on April 1 and October 1 of each year. The principal outstanding as of June 30, 2008, was \$4,950,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 4,950,000	\$ 95,288
	<u>\$ 4,950,000</u>	<u>\$ 95,288</u>

J. Road Repairs

On July 25, 2007, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$1,500,000 at 3.98 percent interest for a period of 5 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2008, was \$945,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 300,000	\$ 39,436
2010	315,000	24,935
2011	<u>330,000</u>	<u>9,591</u>
	<u>\$ 945,000</u>	<u>\$ 73,962</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued):

K. Road Equipment

On January 4, 2008, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of road equipment. The principal was \$185,000 at 3.75 percent interest for a period of 4 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2008, was \$167,283. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 43,702	\$ 7,678
2010	45,980	5,352
2011	48,377	2,904
2012	29,224	875
	<u>\$ 167,283</u>	<u>\$ 16,809</u>

L. Changes in Long-Term Debt - Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 285,000	\$ 0	\$ 140,000	\$ 145,000	\$ 145,000
Bond Anticipation Note	4,950,000			4,950,000	\$ 4,950,000
Financing Obligations	5,956,846	185,000	1,194,945	4,946,901	1,110,771
Governmental Activities					
Long-term Liabilities	<u>\$ 11,191,846</u>	<u>\$ 185,000</u>	<u>\$ 1,334,945</u>	<u>\$10,041,901</u>	<u>\$ 6,205,771</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

Discretely Presented Component Unit:

M. Somerset Pulaski County Development Foundation, Inc. Note Payable

Notes payable consists of the following:

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$360,000. This loan is secured by a mortgage on a building. This loan is payable in 120 installments of \$3,000 through March 2017. The balance on this loan at June 30, 2008 was \$306,000. Future principal requirements on the Foundation's debt are:

Fiscal Year Ended June 30	Governmental Activities Principal
2009	\$ 36,000
2010	36,000
2011	36,000
2012	36,000
2013	36,000
2014-2017	126,000
	<u>\$ 306,000</u>

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$250,000. This loan is secured by a mortgage on a building. This loan is payable in 120 installments of \$2,083 through March 2017. The balance on this loan at June 30, 2008 was \$211,900. Future principal requirements on the Foundation's debt are:

Fiscal Year Ended June 30	Governmental Activities Principal
2009	\$ 24,996
2010	24,996
2011	24,996
2012	24,996
2013	24,996
2014-2017	86,920
	<u>\$ 211,900</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

M. Somerset Pulaski County Development Foundation, Inc. Note Payable (Continued)

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$300,000. This loan is secured by a mortgage on a building. This loan is payable in 108 installments of \$2,778 through November 2017. The balance on this loan at June 30, 2008 was \$300,000. Future principal requirements on the Foundation's debt are:

Fiscal Year Ended June 30	Governmental Activities Principal
2009	\$ 33,336
2010	33,336
2011	33,336
2012	33,336
2013	33,336
2014-2017	133,320
	<u>\$ 300,000</u>

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$179,000. This loan is secured by a mortgage on a building. This loan is payable in 108 installments of \$1,657 through November 2017. The balance on this loan at June 30, 2008 was \$179,000. Future principal requirements on the Foundation's debt are:

Fiscal Year Ended June 30	Governmental Activities Principal
2009	\$ 19,884
2010	19,884
2011	19,884
2012	19,884
2013	19,884
2014-2017	79,580
	<u>\$ 179,000</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

M. Somerset Pulaski County Development Foundation, Inc. Note Payable (Continued)

A 6.6% loan payable to the First Southern National Bank for \$768,000. This loan is secured by a mortgage on a building. This loan was due June 30, 2008. The loan was paid off in August 2008. The balance on this loan at June 30, 2008 was \$408,049.

Fiscal Year Ended June 30	Governmental Activities Principal
2009	\$ 408,049
	<u>\$ 408,049</u>

N. Changes in Long-term Debt – Discretely Presented Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Foundation:					
<u>Governmental Activities:</u>					
Notes Payable	\$ 584,583	\$ 1,247,000	\$ 426,634	\$ 1,404,949	\$ 522,265
Governmental Activities					
Long-term Liabilities	<u>\$ 584,583</u>	<u>\$ 1,247,000</u>	<u>\$ 426,634</u>	<u>\$ 1,404,949</u>	<u>\$ 522,265</u>

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$237,374 in interest on financing obligations and \$201,110 in interest on bonds and notes.

Note 8. Employee Retirement System

The fiscal court and the Somerset Pulaski County Development Foundation, Inc., a discretely presented component unit, has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 8. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone (502)564-4646.

Note 9. Insurance

For the fiscal year ended June 30, 2008, Pulaski County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Deferred Compensation

On February 24, 2000, the Pulaski County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employee's Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862 or by telephone at (502) 583-7925.

Note 11. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003, and thereafter are recorded at actual historical cost.

Note 12. Subsequent Events

- A. In September 2008, the Pulaski County Kentucky, Public Properties Corporation issued \$4,950,000 First Mortgage Revenue Bond Anticipation Notes, Series 2008 in anticipation of issuing bonds for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 12. Subsequent Events (Continued)

- B. In December 2008, the Pulaski County Kentucky, Public Properties Corporation issued \$14,205,000 First Mortgage Revenue Bonds, Series 2008 for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5% to 6.0% are due on December 1 and June 1 of each year. Principal is due annually on December. The bonds mature in 2028.
- C. In January 2009, the Pulaski County Kentucky, Public Properties Corporation issued \$9,500,000 First Mortgage Revenue Bonds, Series 2009 for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5% to 4.875% are due on December 1 and June 1 of each year. Principal is due annually on December. The bonds mature in 2028.

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PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,371,165	\$ 6,651,165	\$ 6,521,125	\$ (130,040)
In Lieu Tax Payments	222,000	358,000	347,412	(10,588)
Excess Fees	412,000	895,000	895,079	79
Licenses and Permits	156,250	156,250	152,258	(3,992)
Intergovernmental Revenue	1,008,925	1,203,925	818,458	(385,467)
Charges for Services	105,300	120,300	94,946	(25,354)
Miscellaneous	155,000	235,000	251,038	16,038
Interest	48,000	48,000	28,730	(19,270)
Total Revenues	<u>8,478,640</u>	<u>9,667,640</u>	<u>9,109,046</u>	<u>(558,594)</u>
EXPENDITURES				
General Government	2,771,452	2,908,288	2,579,569	328,719
Protection to Persons and Property	1,100,527	1,131,127	1,168,526	(37,399)
General Health and Sanitation	402,725	505,050	480,492	24,558
Social Services		2,725	2,724	1
Recreation and Culture	436,572	547,122	460,162	86,960
Debt Service	45,000	45,000	44,542	458
Capital Projects	2,550,000	2,550,000	2,378,375	171,625
Administration	3,753,307	4,559,271	4,258,041	301,230
Total Expenditures	<u>11,059,583</u>	<u>12,248,583</u>	<u>11,372,431</u>	<u>876,152</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,580,943)</u>	<u>(2,580,943)</u>	<u>(2,263,385)</u>	<u>317,558</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	2,500,000	2,500,000	2,372,381	(127,619)
Transfers from Other Funds		-	890,000	890,000
Transfers To Other Funds	<u>(119,057)</u>	<u>(119,057)</u>	<u>(1,010,000)</u>	<u>(890,943)</u>
Total Other Financing Sources (Uses)	<u>2,380,943</u>	<u>2,380,943</u>	<u>2,252,381</u>	<u>(128,562)</u>
Net Changes in Fund Balances	(200,000)	(200,000)	(11,004)	188,996
Fund Balances - Beginning	<u>200,000</u>	<u>200,000</u>	<u>27,427</u>	<u>(172,573)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,423</u>	<u>\$ 16,423</u>

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,620,501	\$ 1,716,501	\$ 1,769,673	\$ 53,172
In Lieu Tax Payments	52,000	70,000	70,985	985
Intergovernmental Revenue	2,234,700	3,155,700	2,631,297	(524,403)
Miscellaneous	85,000	117,000	125,046	8,046
Interest	60,000	60,000	6,932	(53,068)
Total Revenues	4,052,201	5,119,201	4,603,933	(515,268)
EXPENDITURES				
Roads	2,996,681	3,792,726	3,102,536	690,190
Debt Service	2,217,020	1,622,275	951,787	670,488
Capital Projects	200,000	683,900	563,464	120,436
Administration	26,000	407,800	35,492	372,308
Total Expenditures	5,439,701	6,506,701	4,653,279	1,853,422
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,387,500)	(1,387,500)	(49,346)	1,338,154
OTHER FINANCING SOURCES (USES)				
Borrowed Money	1,237,500	1,237,500	185,000	(1,052,500)
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds			(200,000)	(200,000)
Total Other Financing Sources (Uses)	1,237,500	1,237,500	185,000	(1,052,500)
Net Changes in Fund Balances	(150,000)	(150,000)	135,654	285,654
Fund Balances - Beginning	150,000	150,000	102,768	(47,232)
Fund Balances - Ending	\$ 0	\$ 0	\$ 238,422	\$ 238,422

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 451,000	\$ 451,000	\$ 257,332	\$ (193,668)
Intergovernmental Revenue	2,070,894	2,490,894	2,578,061	87,167
Charges for Services	76,700	76,700	89,286	12,586
Miscellaneous	279,500	312,500	252,281	(60,219)
Interest	5,000	5,000	10,313	5,313
Total Revenues	<u>2,883,094</u>	<u>3,336,094</u>	<u>3,187,273</u>	<u>(148,821)</u>
EXPENDITURES				
Protection to Persons and Property	2,294,432	2,308,407	2,174,594	133,813
Debt Service	196,875	199,930	197,137	2,793
Administration	710,844	1,146,814	734,281	412,533
Total Expenditures	<u>3,202,151</u>	<u>3,655,151</u>	<u>3,106,012</u>	<u>549,139</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(319,057)</u>	<u>(319,057)</u>	<u>81,261</u>	<u>400,318</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			240,000	240,000
Transfers Out to Other Funds	119,057	119,057	(120,000)	(239,057)
Total Other Financing Sources (Uses)	<u>119,057</u>	<u>119,057</u>	<u>120,000</u>	<u>943</u>
Net Changes in Fund Balances	(200,000)	(200,000)	201,261	401,261
Fund Balances - Beginning	<u>200,000</u>	<u>200,000</u>	<u>2,970</u>	<u>(197,030)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 204,231</u>	<u>\$ 204,231</u>

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

INDUSTRIAL DEVELOPMENT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,080,334	\$ 1,144,334	\$ 1,179,826	\$ 35,492
Intergovernmental Revenue		225,000	225,000	
Miscellaneous	500	500	1,973	1,473
Interest	5,000	5,000	19,972	14,972
Total Revenues	1,085,834	1,374,834	1,426,771	51,937
EXPENDITURES				
General Government	350,330	372,330	279,615	92,715
Debt Service	202,000	205,000	194,118	10,882
Capital Projects	545,020	524,775	476,947	47,828
Administration	129,650	489,895	54,528	435,367
Total Expenditures	1,227,000	1,592,000	1,005,208	586,792
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(141,166)	(217,166)	421,563	638,729
Net Changes in Fund Balances	(141,166)	(217,166)	421,563	638,729
Fund Balances - Beginning	141,166	217,166	217,411	245
Fund Balances - Ending	\$ 0	\$ 0	\$ 638,974	\$ 638,974

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	FIRE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Taxes	\$ 2,156,520	\$ 2,324,520	\$ 2,325,604	\$ 1,084
Intergovernmental Revenue	11,000	11,000	10,117	(883)
Charges For Services			24,373	24,373
Miscellaneous Revenue	1,000	1,000	105,202	104,202
Interest	10,000	10,000	20,619	10,619
Total Revenues	2,178,520	2,346,520	2,485,915	139,395
EXPENDITURES				
Protection to Persons and Property	948,360	1,365,415	1,335,233	30,182
Debt Service	261,060	265,890	247,896	17,994
Capital Projects	813,000	778,435	551,285	227,150
Administration	456,100	257,780	60,148	197,632
Total Expenditures	2,478,520	2,667,520	2,194,562	472,958
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(300,000)	(321,000)	291,353	612,353
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			200,000	200,000
Transfers to Other Funds			(200,000)	(200,000)
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances	(300,000)	(321,000)	291,353	612,353
Fund Balances - Beginning (Restated)	300,000	300,000	249,998	(50,002)
Fund Balances - Ending	\$ 0	\$ (21,000)	\$ 541,351	\$ 562,351

PULASKI COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Detention Center Corporation Bond Fund and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation of the General Fund

Total Revenues-Budgetary Basis	\$ 9,109,046
To adjust for prior year Occupational Tax Receivable	(172,276)
To record transfer for insurance from Fire Fund	(135,000)
Miscellaneous Adjustment	<u>407</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 8,802,177</u></u>
Total Expenditures-Budgetary Basis	\$ 11,372,431
To correct error in transfer	<u>(185,672)</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 11,186,759</u></u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ 2,252,381
To correct error in transfer	(185,672)
To record transfer for insurance from Fire Fund	135,000
Miscellaneous Adjustment	<u>(5)</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ 2,201,704</u></u>
Fund Balance-Beginning-Budgetary Basis	\$ 27,427
To adjust for prior year Occupational Tax Receivable	172,276
Miscellaneous Adjustment	<u>(403)</u>
Fund Balance-Beginning-Modified Cash Basis	<u><u>\$ 199,300</u></u>
Fund Balance-Ending-Budgetary Basis	\$ 16,423
Rounding	<u>(1)</u>
Fund Balance-Ending-Modified Cash Basis	<u><u>\$ 16,422</u></u>

PULASKI COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008
(Continued)

Reconciliation of the Road Fund

Total Revenues-Budgetary Basis	\$ 4,603,933
To adjust for prior year Occupational Tax Receivable	(55,941)
Miscellaneous Adjustment	<u>40</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 4,548,032</u></u>
Fund Balance-Beginning-Budgetary Basis	\$ 102,768
To adjust for prior year Occupational Tax Receivable	55,941
Miscellaneous Adjustment	<u>(40)</u>
Fund Balance-Beginning-Modified Cash Basis	<u><u>\$ 158,669</u></u>

Reconciliation of the Jail Fund

Total Revenues-Budgetary Basis	\$ 3,187,273
To adjust for prior year Occupational Tax Receivable	<u>(9,481)</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 3,177,792</u></u>
Total Expenditures-Budgetary Basis	\$ 3,106,012
To record transfer of debt payment	<u>(154,588)</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 2,951,424</u></u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ 120,000
To record transfer of debt payment	<u>(154,588)</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ (34,588)</u></u>
Fund Balance-Beginning-Budgetary Basis	\$ 2,970
To adjust for prior year Occupational Tax Receivable	<u>9,481</u>
Fund Balance-Beginning-Modified Cash Basis	<u><u>\$ 12,451</u></u>

PULASKI COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008
(Continued)

Reconciliation of the Industrial Development Fund

Total Revenues-Budgetary Basis	\$ 1,426,771
To adjust for prior year Occupational Tax Receivable	<u>(37,295)</u>
Total Revenues-Modified Cash Basis	<u>\$ 1,389,476</u>
Fund Balance-Beginning-Budgetary Basis	\$ 217,411
To adjust for prior year Occupational Tax Receivable	<u>37,295</u>
Fund Balance-Beginning-Modified Cash Basis	<u>\$ 254,706</u>

Reconciliation of the Fire Fund

Total Expenditures-Budgetary Basis	\$ 2,194,562
To adjust for voided checks	(9,670)
To record transfer to General Fund for insurance	<u>(135,000)</u>
Total Expenditures-Modified Cash Basis	<u>\$ 2,049,892</u>
Total Other Financing Sources and Uses-Budgetary Basis	\$
To record transfer to General Fund for insurance	<u>(135,000)</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ (135,000)</u>
Fund Balance-Beginning-Budgetary Basis	\$ 249,998
To record transfer to General Fund for insurance	<u>(9,670)</u>
Fund Balance-Beginning-Modified Cash Basis	<u>\$ 240,328</u>

**PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2008

PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	Local Government Economic Assistance Fund	911 Fund	Economic Development Fund	Grant Fund
ASSETS				
Cash and Cash Equivalents	\$ 373,616	\$ 496,642	\$ 118,931	\$ 12
Notes Receivables			175,136	
Total Assets	<u>373,616</u>	<u>496,642</u>	<u>294,067</u>	<u>12</u>
FUND BALANCES				
Reserved for:				
Bond Payments				
Unreserved:				
Special Revenue Funds	<u>373,616</u>	<u>496,642</u>	<u>294,067</u>	<u>12</u>
Total Fund Balances	<u>\$ 373,616</u>	<u>\$ 496,642</u>	<u>\$ 294,067</u>	<u>\$ 12</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2008

Hazardous Material Fund	Detention Center Corporation Bond Fund	Total Non-Major Governmental Funds
\$ 55,493	\$ 212,335	\$ 1,257,029
		175,136
<u>55,493</u>	<u>212,335</u>	<u>1,432,165</u>
	212,335	212,335
<u>55,493</u>		<u>1,219,830</u>
<u>\$ 55,493</u>	<u>\$ 212,335</u>	<u>\$ 1,432,165</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

PULASKI COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	Local Government Economic Assistance Fund	911 Fund	Economic Development Fund	Grant Fund
REVENUES				
Taxes	\$	\$ 1,083,775		
Intergovernmental	538,602	196,127		936,153
Miscellaneous		49,249	21,387	
Interest	7,674	10,634	1,462	11
Total Revenues	<u>546,276</u>	<u>1,339,785</u>	<u>22,849</u>	<u>936,164</u>
EXPENDITURES				
General Government	9,000			
Protection to Persons and Property	27,500	863,017		
General Health	5,000			
Social Services	77,685			
Recreation and Culture	175,982			
Airports	62,534			
Debt Service		30,067		
Capital Projects	206,627			936,152
Administration		298,262		
Total Expenditures	<u>564,328</u>	<u>1,191,346</u>		<u>936,152</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(18,052)</u>	<u>148,439</u>	<u>22,849</u>	<u>12</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	300,000	200,000	70,000	
Transfers To Other Funds	<u>(300,000)</u>	<u>(200,000)</u>	<u>(70,000)</u>	
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(18,052)	148,439	22,849	12
Fund Balances - Beginning	391,668	348,203	271,218	
Fund Balances - Ending	<u>\$ 373,616</u>	<u>\$ 496,642</u>	<u>\$ 294,067</u>	<u>\$ 12</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008
(Continued)

Hazardous Material Fund	Detention Center Corporation Bond Fund	Total Non-Major Governmental Funds
		\$ 1,083,775
56,714		1,727,596
		70,636
	6,943	26,724
56,714	6,943	2,908,731
		9,000
22,141		912,658
		5,000
		77,685
		175,982
		62,534
	154,088	184,155
44,473		1,187,252
	500	298,762
66,614	154,588	2,913,028
(9,900)	(147,645)	(4,297)
	154,588	724,588
		(570,000)
	154,588	154,588
(9,900)	6,943	150,291
65,393	205,392	1,281,874
\$ 55,493	\$ 212,335	\$ 1,432,165

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

For The Year Ended June 30, 2008

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

For The Year Ended June 30, 2008

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department Of Housing and Urban Development</u>		
Passed-Through Commonwealth Department for Local Government:		
Community Development Block Grant		
(State's Program)		
Kentucky Regional High Growth Training Center	06-020	\$ 190,999
(CFDA #14.228)		
Total U.S. Department Of Housing and Urban Development		<u>\$ 190,999</u>
<u>U.S. Department of The Interior</u>		
National Parks Service		
Land and Water Conservation Fund Grants -		
Outdoor Recreation Acquisition, Development		
and Planning		
Shopville Community Park	M-05445131	7,012
(CFDA #15.916)		
Battlefield Acquisition Grant		
Mill Springs Battlefield	21-05-CW-1406	4,125
(CFDA #15.928)		
Total U.S. Department of The Interior		<u>\$ 11,137</u>
<u>U.S. Department Of Justice</u>		
Direct Program:		
Juvenile Justice and Prevention Program		
Gang Resistance Education And		
Training Program	2006-JV-FX-0111	\$ 52,407
(CFDA #16.737)		
Total U.S. Department Of Justice		<u>\$ 52,407</u>

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
For The Year Ended June 30, 2008
(Continued)

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department Of Transportation</u>		
Federal Highway Administration		
Passed-Through State Transportation Cabinet:		
Federal Aid Highway Program		
Mill Springs Battlefield	C-99005844	\$ 94,685
Mill Springs Battlefield Visitors Center Project	C-01068142	136,968
Mill Springs Battlefield Visitors Center Project	C-05082146	166,747
(CFDA #20.205)		
Total U.S. Department Of Transportation		<u>\$ 398,400</u>
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department		
of Military Affairs:		
Emergency Management Performance Grant		
Domestic Security Operations	Unavailable	\$ 10,117
(CFDA #97.042)		
Homeland Security Grant Program		
Area 12 Hazmat Program	M-05324586	49,715
Area 12 Hazmat Program	PO2-094-0600003556-1	7,000
(CFDA #97.067)		
Total U.S. Department of Homeland Security		<u>\$ 66,832</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 719,775</u></u>

PULASKI COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

For The Year Ended June 30, 2008

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pulaski County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Pulaski County Fiscal Court provided federal awards to the following subrecipient:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Battlefield Acquisition Grant Mill Springs Battlefield	15.928	Mill Springs Battlefield Association	\$ 4,125
Federal Aid Highway Program Mill Springs Battlefield Visitors Center Project	20.205	Mill Springs Battlefield Association	398,400
			<u>\$ 402,525</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PEERCY AND GRAY, PSC

Certified Public Accountants

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Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 2, 2009, wherein we issued a qualified opinion on the discretely present component unit and made reference to the report of other auditors. Pulaski County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on Pulaski County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pulaski County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pulaski County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pulaski County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1, 2008-2, 2008-3 and 2008-4 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control And On Compliance And Other Matters
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described as items 2008-1, 2008-3, and 2008-4 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item: 2008-3.

The Pulaski County Judge/Executive's response to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

November 2, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



PEERCY AND GRAY, PSC

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The Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Pulaski County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Pulaski County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pulaski County's management. Our responsibility is to express an opinion on Pulaski County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pulaski County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pulaski County's compliance with those requirements.

As described in item 2008-5 in the accompanying schedule of findings and questioned costs, Pulaski County did not comply with requirements regarding subrecipient monitoring that are applicable to its Federal Aid Highway Program (CFDA # 20.205). Compliance with such requirements is necessary, in our opinion, for Pulaski County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Pulaski County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Pulaski County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pulaski County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pulaski County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-5 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the item listed above to be a material weakness.

The Pulaski County Judge/Executive's response to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Peercy and Gray, PSC
Certified Public Accountants

November 2, 2009

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2008

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky. The auditor's report expresses a qualified opinion on the discretely presented component unit of Pulaski County, Kentucky,
2. Four significant deficiencies, of which three are considered material weaknesses, relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Pulaski County was disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal awards programs is reported in the Independent Auditor's Report. It is also considered to be a material weakness.
5. The auditor's report on compliance for the audit of the major federal awards programs for Pulaski County expresses a qualified opinion.
6. There is one audit finding of noncompliance relative to the major federal awards programs for Pulaski County reported in Part C of this schedule.
7. The programs tested as major programs were: Federal Aid Highway Program (CFDA # 20.205)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pulaski County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2008-1 Some Credit Card Statements Missing After An Open Records Request

Credit card statements were missing from the Fiscal Court after an open records request. The Finance Officer received an open records request on August 11, 2008 asking for information regarding the former Deputy Judge and former Administrative Assistant pertaining to their travel reimbursements, credit card expenses, hotel/motel receipts, meal tickets, etc. from January 1, 2007 through June 30, 2008. When the Finance Officer began looking for this information, she discovered that this particular file was missing. She notified the County Judge and the County Attorney. The box of records that should have held the credit card file was sealed for evidence, and the Deputy Judge and Administrative Assistant resigned.

The Finance Officer requested copies of the credit card statements, but there are no receipts for the various charges. The auditors were able to recap these expenditures for the year as follows:

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2008-1 Some Credit Card Statements Missing After An Open Records Request (Continued)

Statement Month	Number of Receipts Missing	Totals	Classification of Missing Receipts						Airlines
			Gas	Meals	Supplies	Hotels	Seminars	Misc	
June 07									
July 07	16	1,797.38	87.02	288.05		1,042.31	375.00	5.00	
August 07	9	2,583.01		149.82		1,777.19	638.00	18.00	
September 07	17	3,606.89		269.92		3,086.97	250.00		
October 07	10	1,091.99		109.71	334.44	647.84			
November 07	8	1,982.98		101.92	954.00	711.15	215.91		
December 07	15	2,417.11		195.90	417.16	1,377.48	426.57		
January 08		-							
February 08	24	2,997.20		271.16	208.63	605.70	320.95		1,590.76
March 08	15	2,680.88		195.75	127.63	961.50	1,396.00		
April 08	17	2,075.25		179.03	109.90	1,250.37	535.95		
May 08	18	2,243.86		547.55	96.29	2,078.02	(478.00)		
June 08	22	3,034.17		809.95	194.38	1,862.13		167.71	
	<u>171</u>	<u>\$ 26,510.72</u>	<u>\$87.02</u>	<u>\$ 3,118.76</u>	<u>\$ 2,442.43</u>	<u>\$ 15,400.66</u>	<u>\$ 3,680.38</u>	<u>\$ 190.71</u>	<u>\$ 1,590.76</u>

This matter was investigated by the County Attorney; however no charges were ever brought.

We recommend that the file cabinets and safe should be locked whenever they are unattended, such as lunch, breaks and overnight in order to keep all county records safe.

County Judge/Executive Barty Bullock's Response: In the future, all credit card records will be kept under lock and key to prevent any further possible problems of this nature.

2008-2 There Were No Timesheets To Support Weekend Work By Animal Control Officers

Two employees of Animal Control are paid an extra \$150 for each weekend they clean and feed the animals at the shelter. This payment has been approved by Fiscal Court. However, when timesheets were reviewed, all weekends for both of these employees were marked RDO, which stands for Regular Day Off. There is no record of who did the feeding and cleaning on which weekend, how long it took them or even if the work was performed at all.

We recommend that the Animal Control employees complete a time sheet for actual hours worked, and that they be paid for the actual hours worked, with overtime for hours over 40 per week.

County Judge/Executive Barty Bullock's Response: Animal Control Officers are paid a flat fee for weekend work, so we did not feel there was a need for timesheets. This will not be a problem in the future. As of the date of the exit conference, part-time employees have been hired to work the week-end shifts.

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2008-3 The Fiscal Court Had Negative Bank Balances In Several Bank Accounts During Fiscal Year 2008

Based upon the auditor's review of cash and bank accounts it was noted that there were several instances in various county bank accounts where checks written for expenditures and submitted for payment exceeded the available cash in the bank account. This practice resulted in the following negative cash balances on various dates within the respective bank accounts for the funds:

General Fund		Road Fund		LGEA Fund	
Date	Amount	Date	Amount	Date	Amount
07/23/07	(3,047.40)	02/04/08	(82,857.30)	07/20/07	(37,071.48)
07/24/07	(13,517.33)	02/05/08	(84,847.79)	07/23/07	(37,571.48)
07/25/07	(15,162.44)	02/06/08	(85,072.79)	09/18/07	(8,920.50)
07/26/07	(7,396.15)			09/21/07	(10,025.50)
07/27/07	(8,016.86)			09/24/07	(10,525.50)
07/30/07	(3,488.85)				
10/17/07	(19,008.71)				

Grant Fund		Payroll Account		911 Fund	
Date	Amount	Date	Amount	Date	Amount
09/05/07	(28,799.63)	09/11/07	(\$7,147.74)	11/05/07	(22,495.64)
		09/12/07	(\$23,973.85)	01/29/08	(33,346.96)
		02/12/08	(\$7,208.24)		
		04/07/08	(\$2,163.16)		

As outlined in the County Budget Preparation and State Local Finance Officer Policy Manual, the County Treasurer is to countersign checks only if the following conditions exist: Claim reviewed by the Fiscal Court, sufficient fund balance and adequate cash in the bank to cover check, and adequate free balance in a properly budgeted appropriation account to cover the check.

We recommend that the Fiscal Court refrain from approving and issuing payment for expenditures when there is no available cash in bank accounts to cover those expenditures. We also recommend the County Treasurer comply with all applicable requirements outlined in the County Budget Preparation Manual and State Local Finance Officer Policy Manual concerning countersigning of checks.

County Judge/Executive Barty Bullock's Response: We have corrected this problem. While the economy is still slowly recovering, we are in a much better financial position and feel that we will be able to prevent this occurring in the future.

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2008-4 The Fiscal Court Should Make Deposits In A Timely Manner

During our review of cash and deposits, we noted instances in which the Fiscal Court made deposits only a few times a month, with many deposits prepared separately and posted on the same day. This caused part of the overdraft problem in the comment above.

We recommend the Fiscal Court make timely deposits to ensure there are sufficient funds to pay all checks written.

County Judge/Executive Barty Bullock's Response: We feel deposits are made in a timely manner. However, we will take all possible steps to prevent any future problems of this nature.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

NONCOMPLIANCE

Federal Programs: CFDA # 20.205 Federal Aid Highway Program

Federal Agencies: U.S. Department of Transportation

Pass-Through Agency: State Transportation Cabinet

Compliance Area: Subrecipient Monitoring

Amount of Questioned Costs: \$398,400

2008-5 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110

During single audit testing of the Transportation Enhancement (TEA-21) major federal award program for the Mill Springs Battlefield Visitor's Center Project, it was noted that the Pulaski County Fiscal Court inadequately monitored the operations of the subrecipient, Mill Springs Battlefield Association, in accordance with the Single Audit Act, OMB Circular A-133, A-102 Common Rule, and OMB Circular A-110. The Fiscal Court did not initiate a written subrecipient agreement signed by both parties identifying to the subrecipient the federal award CFDA title and number, award name, name of Federal awarding agency and applicable federal and state compliance requirements. The Fiscal Court did not perform monitoring activities such as site visits, review of financial and progress reporting, or other means to provide reasonable assurance that the subrecipient administered the Federal award in compliance with laws and regulations. The Fiscal Court did not require the subrecipient to obtain an audit in accordance with the Single Audit Act within nine months of the end of the fiscal year end. On August 3, 2009, an independent auditor's report was issued for the calendar year ended December 31, 2006 with the following significant deficiencies:

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT (Continued)

NONCOMPLIANCE (Continued)

2008-5 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110 (Continued)

Findings Related To Financial Statements In Accordance With Generally Accepted Government Auditing Standards:

To provide oversight of the financial statement preparation services at an appropriate level, it was recommended that management establish effective review policies and procedures or consider contracting with an outside accountant to perform the financial statement and note preparation services. Also, management should design control policies and procedures to identify misstatements in the financial statements and to properly adjust all account balances to supporting information or consider using an outside accountant to assist in this area.

Findings and Questioned Costs Related To Federal Awards:

The Association should include the proper provisions in all future construction contracts involving federal funding to require the proper wage reporting and certification by the contractor to the Association. The Association should also designate personnel to monitor compliance with the Davis-Bacon Act, including preparing documentation of monitoring.

The Association should carefully monitor all grant reimbursement requests and designate personnel with responsibility for accurate and complete grant reporting.

The Association should develop a system for identifying and monitoring the various compliance requirements applicable to their federal grant programs and assign specific responsibility to Association personnel to perform the monitoring of these programs.

An unqualified opinion was issued on the financial statements. However, a qualified opinion was issued on compliance over major programs. Mill Springs Battlefield Association was not considered a low-risk auditee under OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

A review of the audit report disclosed no quantification of questioned costs. Also, the amounts on the Schedule of Expenditure of Federal Awards from the US Department of Interior passed through the National Parks Service were reported under the wrong Catalog of Federal and Domestic Assistance (CFDA) number. The number was disclosed as 15.916, Land and Water Conservation Program. The actual CFDA number is 15.928, Civil War Battlefield Land Acquisition Grants.

Currently a subrecipient single audit is being conducted by a local CPA firm for calendar year 2007 and 2008, however, no audit report has been issued as of the audit date.

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT (Continued)

NONCOMPLIANCE (Continued)

2008-5 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110 (Continued)

Due to the lack of monitoring and project information at the recipient level (Fiscal Court) the auditors of the Fiscal Year ended June 30, 2006 requested all project files for the Mill Springs Battlefield Visitors Center Project from the subrecipient. Auditors reviewed all project manuals, invoices, draw down requests, agreements, and bid information. Based upon that review it was noted that the subrecipient was reimbursed \$213,625 of federal monies from the Transportation Enhancement federal program that was previously reimbursed to the subrecipient from a direct funding Housing and Urban Development federal program. In addition, it was noted that the Fiscal Court paid the subrecipient \$36,375 in matching funds associated with this reimbursement. Auditors immediately notified the County Treasurer and the subrecipient's CPA auditor about this duplication of reimbursements between two different federal programs. The Kentucky Transportation Cabinet was notified about the duplication of reimbursements by its subrecipient between two different federal programs. The subrecipient report as of December 31, 2006 states that corrected documentation has been accepted and the grant is considered closed.

Due to the severity of the failure to monitor, the total amount of expenditures will be considered questioned costs.

We recommend that the Fiscal Court monitor its subrecipient in accordance with the Single Audit Act and applicable OMB Circulars and initiate a subrecipient agreement signed by both parties. We also recommend that the Fiscal Court require its subrecipient to have a single audit conducted on the same fiscal year as the Fiscal Court's and within nine months after the end of that fiscal year.

County Judge/Executive Barty Bullock's Response: As of November 20, 2009, all issues with the FY 2006 Audit of Mill Springs Battlefield Association has been resolved. However, the Fiscal Court has requested the Audits for FY 2007 and FY 2008 numerous times from Randall Turpin, CPA, and has still not been able to obtain them. We have given him a deadline of December 31, 2009. If we have not received them by that date, this matter will be turned over to the County Attorney for resolution.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The following comment was not corrected and is repeated in the current audit:

2007-11 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110. (CFDA# 20.205) (CFDA# 15.928)

This finding has not been resolved for either CFDA# 20.205 or CFDA# 15.928. Questioned costs of \$1,796,514 are still outstanding. Additionally, this finding is repeated for CFDA# 20.205 as finding 2008-5.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

PULASKI COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2008**

Appendix

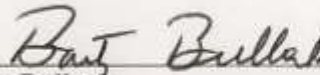
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE
AND DEVELOPMENT PROGRAM

PULASKI COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Pulaski County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Barty Bullock
County Judge/Executive



Arlene Phelps Young
County Treasurer

